

## **Chapter 6: Evaluating Superfund's Share of Management and Support Costs**

When the Superfund program first was established, EPA decided that the program should pay its fair share of management and support costs. Initially this support was concentrated on the work required to build a new program (e.g., hiring staff, setting up financial system capabilities, setting up site specific charging accounts, and establishing Superfund site activity codes, etc.). Over the last 24 years, as the program has evolved, its management and support needs have changed as well.

The successful management of today's Superfund program depends upon a number of specialized tasks, including collecting site-specific charging information, developing detailed cost recovery documentation packages for referral to the Department of Justice, collecting Superfund State Contract funding from the states, billing potentially responsible parties for oversight costs, and establishing and managing special accounts. Some of these tasks were not needed in the early years of the program; other tasks were not anticipated. Special accounts are a particularly good example of a significant, new Superfund requirement. In FY 1994, the Agency established five special accounts. Between Fiscal Years 2000 and 2004, the Regions established 258 new special accounts (an average of 50 new accounts a year). As of the end of September 2003, the regions were managing 388 special accounts, which have collected approximately \$1.3 billion in collections and interest.

At the same time, Superfund has come to need less support in specific areas. For example, the Agency's focus on "enforcement first," along with the increased use of special accounts for the cost of overseeing PRPs, is resulting in the need to develop fewer cost recovery packages for remedial sites. (The cost recovery workload for the removal program has stayed relatively constant).

(Every effort has been made to make the following issues clear to all readers of this study; however, some issues are very specific to the Agency and the Superfund program and may be difficult for those individuals without a working knowledge of the subject area).

While it is clear that Superfund's management and support needs have changed over time, there is some disagreement about whether today's costs of this support accurately reflect these changes. One way to assess the appropriateness of current management and support costs is to compare what Superfund pays for management and support to the costs assumed by other Agency appropriations. In the FY 1999 operating plan, 24% of

the combined Environmental Programs and Management (EPM) and Science and Technology (S&T) appropriations were management and support costs. In the same year, 8.2 % of Superfund's appropriation funded management and support. Management and support's share grew between FY 1999 and 2003. In the combined EPM and S&T appropriations, management and support grew to 25.6%. In Superfund, it grew to 10.5% of the appropriation.

However, the total dollars for management and support grew more sharply in the combined EPM and S&T appropriations. From FY 1999 to 2003, the management and support costs grew over \$100 million or 15%. The growth in management and support costs for the Superfund appropriation was much smaller - \$10 million on a base of \$122 million or 8%. These numbers suggest that, when compared to the other Agency appropriations, Superfund management and support costs have grown at a slower rate than the rest of the Agency's management and support costs.

However, there continues to be concern about management and support funding since these offices have grown while the other offices have taken cuts. Because the Office of Environmental Innovation (OEI) was established in FY 2000, the following numbers compare Fiscal Years 2000 to 2003 (elsewhere in this report FY 1999 is used as the base year).

- OEI's portion of the Superfund operating plan grew by 32.1 percent (from \$14.4 million to \$19.0 million) for payroll and contract increases.
- The Office of the Chief Financial Officer's (OCFO) Superfund funding grew by 12.6 percent (from \$25.3 million to \$28.5 million) for payroll increases.
- The Office of the General Counsel's (OGC's) portion of the Superfund operating plan decreased by 76 percent (from \$3.4 million to \$839 thousand) due to a significant reduction in their staffing.
- The Office of Administration and Resources Management's (OARM) portion of the Superfund operating plan grew by 9 percent (from \$78.0 million to \$84.7 million). However, since the Superfund share of the rent increased by about \$3 million over this same time period, OARM's non rent funding increased by 4.7%.
- The Office of the Administrator did not receive funding from the Superfund appropriation after FY 1999.

### **Charging Superfund for Administrative Functions**

Early in the program, it became clear that charging Superfund directly for all of the administrative goods and services (e.g., utilities, facility operations, and computers) needed to run the program would be difficult. Most of the funds for these goods and services were provided from OARM, with a smaller amount from the Office of Solid Waste and Emergency Response (OSWER), in what is collectively known as the Regional Support Account (RSA).

Today, OEI also contributes to the RSA. When a purchase is made from the RSA that supports both the Superfund program and EPA's non-Superfund work, the purchase is

accounted for in one of two ways: either through a direct charge to each appropriation, or through a process known as the Superfund Layoff. (OCFO developed methodologies and guidance for all Superfund charging). In general, the Regions and Headquarters offices use direct charging for specific information technology transactions or when an individual transaction can be specifically linked to a response or enforcement activity.

The Superfund Layoff process is used in areas, such as facilities, to account for purchases that support both the EPM and the Superfund appropriations. The initial charges for the goods or services purchased are made to the EPM appropriation, and then at specific intervals (monthly, bimonthly, quarterly) these charges are cumulatively “laid off” to the Superfund appropriation, based upon a predetermined methodology. This methodology, in turn, is usually based upon the Region’s or Office’s actual FTE utilization at the time of the layoff. Each time the Superfund layoff is calculated, all past charges are recalculated to reflect the latest actual FTE percentages, thus ensuring that each appropriation is charged its fair share.

As part of this study, the team asked each Region and relevant headquarters offices to provide their layoff rates (for the overall organization and the regional laboratory). As demonstrated in Table 6, there is a wide variation across the regions. Although it is understood that layoff methodologies should differ based upon local factors, it is not clear that these unique circumstances fully account for the range of layoff rates.

**Recommendation 66:** OCFO should analyze the Superfund charging across the Agency to ensure the use of approved methodologies and gain a better understanding of the variations.

**Table 6: Regional Superfund Layoff Rates**

Organization	Overall Layoff EPM/Superfund	Regional Lab Layoff EPM/Superfund
<b>EPA Regions</b>		
Region 1	69/29	63/37
Region 2	60/40	22/78
Region 3	66/34	30/70
Region 4	70/30	62/38
Region 5	67/33	67/33
Region 6	80/20	80/20
Region 7	70/30	70/30
Region 8	69/31	65/35
Region 9	73/27	70/30
Region 10	75/25	75/25

## **Long-term Approach to Management and Support**

Viewing management and support costs from a longer-term perspective facilitates consideration of whether larger, more systemic changes might provide a permanent way of allocating those costs in a less burdensome way. One approach is to stop charging to Superfund all management and support activities that mirror the rest of the Agency's activities. Such an approach would create clear and easy to track distinctions between program and support activities, while also reducing the burden of funding many comparable activities in multiple appropriations. In addition, the Agency would need to consider ways for collecting costs for activities that are unique to Superfund (e.g., special accounts, cost recovery) so that these costs can be captured for cost recovery purposes.

**Option:** EPA could begin work on developing a long term plan for transferring some or all Superfund management and support costs to the EPM appropriation. A change of this magnitude would require a lengthy phase-in process. The Agency would need to work very closely with the Office of Management and Budget and Congress while developing this plan, to ensure that EPA is not placed in the untenable position of absorbing these costs if the resulting budget request were not approved.